



# **Parking Facilities Fund of the City of Norfolk, Virginia**

**Financial and Compliance Report  
Year Ended June 30, 2010**

# **Parking Facilities Fund of the City of Norfolk, Virginia**

Financial and Compliance Report  
Years Ended June 30, 2010 and 2009

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KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

## Independent Auditor's Report

The Honorable Members of the City Council  
Parking Fund of the City Norfolk, Virginia:

We have audited the accompanying statement of net assets of the Parking Fund of the City of Norfolk, Virginia (the Fund), as of and for the year ended June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the City of Norfolk. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the accompanying financial statements present only the Parking Fund and do not purport to, and do not, present fairly the financial position of the City of Norfolk, Virginia, the changes in its financial position or its cash flows, where applicable, in conformity with U.S. generally accepted accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund of the City of Norfolk, Virginia as of June 30, 2010 and 2009, and changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The Fund has not presented Management's Discussion and Analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not be a part of, the financial statements.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Fund, taken as a whole. The supplemental schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.



In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2011 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

**KPMG LLP**

January 14, 2011

**Parking Facilities Fund of the City of Norfolk, Virginia**

**Statements of Net Assets  
June 30, 2010 and 2009**

	2010	2009
<b>Assets</b>		
Current assets:		
Cash and short term investments	\$ 17,889,665	\$ 18,009,097
Receivables:		
Billed (net)	946,760	1,367,881
Unbilled	347,168	350,203
Inventories	358,365	420,724
Restricted cash and short term investments held with fiscal agent	29,875,731	5,935,071
<b>Total current assets</b>	<u>49,417,689</u>	<u>26,082,976</u>
Restricted assets:		
Certificates of deposit	2,256,861	2,271,000
Investments	2,690,070	2,649,352
	<u>4,946,931</u>	<u>4,920,352</u>
Capital assets:		
Non-depreciable assets	37,182,924	78,856,387
Depreciable assets, net	144,017,289	92,560,771
	<u>181,200,213</u>	<u>171,417,158</u>
<b>Total assets</b>	<u>\$ 235,564,833</u>	<u>\$ 202,420,486</u>
<b>Liabilities</b>		
Current liabilities:		
Vouchers payable	\$ 255,787	\$ 2,234,927
Contract retainage	988,704	1,926,057
Accrued payroll	70,307	75,266
Due to other funds	396,701	266,056
Contribution to Employees Retirement System	499,452	409,080
Current portion of bonds payable	78,601,555	48,457,133
Accrued interest	2,318,793	1,976,713
Other liabilities	481,099	488,070
Compensated absences	126,509	123,384
<b>Total current liabilities</b>	<u>83,738,907</u>	<u>55,956,686</u>
Noncurrent liabilities:		
General obligation bonds payable	14,117,699	5,412,510
Revenue bonds payable	81,630,041	83,982,027
Post employment benefits (OPEB)	291,071	164,147
Compensated absences	189,764	179,029
<b>Total noncurrent liabilities</b>	<u>96,228,575</u>	<u>89,737,713</u>
<b>Total liabilities</b>	<u>179,967,482</u>	<u>145,694,399</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	34,008,441	36,819,806
Restricted	7,665,139	7,601,105
Unrestricted	13,923,771	12,305,176
<b>Total net assets</b>	<u>55,597,351</u>	<u>56,726,087</u>
<b>Total liabilities and net assets</b>	<u>\$ 235,564,833</u>	<u>\$ 202,420,486</u>

See Notes to Financial Statements.

# **Parking Facilities Fund of the City of Norfolk, Virginia**

## **Statements of Revenues, Expenses and Changes in Fund Net Assets Years Ended June 30, 2010 and 2009**

	2010	2009
Operating revenue-		
Charges for services	<u>\$ 18,784,621</u>	<u>\$ 20,048,100</u>
Operating expenses:		
Personnel services	8,334,732	8,035,974
Parking operations	982,030	1,020,356
Depreciation	4,291,541	3,830,472
Retirement contribution	499,452	513,011
Administrative expenses	298,694	322,457
Other	826,435	870,416
Total operating expenses	<u>15,032,884</u>	<u>14,592,686</u>
Operating income	<u>3,751,737</u>	<u>5,455,414</u>
Nonoperating revenue (expenses):		
Interest income	254,942	12,805
Interest expense and fiscal charges	(4,975,013)	(4,434,688)
Other non-operating income-contributions	82,302	-
Loss on sale or disposal of capital assets	(48,695)	(8,759)
Total nonoperating expenses	<u>(4,688,464)</u>	<u>(4,430,620)</u>
Income before transfers	(934,727)	1,024,794
Transfer out	<u>(184,009)</u>	<u>(215,191)</u>
Change in net assets	<u>(1,128,736)</u>	<u>809,603</u>
Net assets:		
Beginning	56,726,087	55,916,484
Ending	<u>\$ 55,597,351</u>	<u>\$ 56,726,087</u>

See Notes to Financial Statements.

**Parking Facilities Fund of the City of Norfolk, Virginia**

**Statements of Cash Flows**

**Years Ended June 30, 2010 and 2009**

	2010	2009
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers	\$ 19,208,777	\$ 19,687,728
Payments to suppliers	(914,344)	(476,825)
Payments to employees	(8,734,911)	(8,512,797)
Other payments	(805,176)	(779,598)
<b>Net cash provided by operating activities</b>	<b>8,754,346</b>	<b>9,918,508</b>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Internal activity, payments from other funds	130,645	(4,767,255)
Transfer out	(194,009)	(215,191)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(63,364)</b>	<b>(4,982,446)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Proceeds from capital debt	84,843,480	45,808,420
Purchases of capital assets	(16,962,809)	(35,178,521)
Refunding/Refinancing of debt principal	(44,710,000)	(1,230,744)
Principal paid on capital debt	(3,747,132)	(3,482,958)
Interest paid on capital debt	(4,521,656)	(3,768,096)
<b>Net cash provided by capital and related financing activities</b>	<b>14,901,883</b>	<b>2,148,101</b>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sales and maturities of investments	2,432,086	1,312,800
Purchase of investments	(2,458,665)	(1,065,586)
Interest and dividends	254,942	14,384
<b>Net cash provided by investing activities</b>	<b>228,363</b>	<b>261,598</b>
<b>Net increase in cash and short term investments</b>	<b>23,821,228</b>	<b>7,345,761</b>
<b>Cash and short term investments:</b>		
Beginning	23,944,168	16,598,407
Ending	<b>\$ 47,765,396</b>	<b>\$ 23,944,168</b>



**Parking Facilities Fund of the City of Norfolk, Virginia**

**Statements of Cash Flows (Continued)**  
**Year Ended June 30, 2010 and 2009**

	2010	2009
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Operating income	\$ 3,751,737	\$ 5,455,414
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	4,291,541	3,830,472
Change in assets and liabilities:		
Increase in:		
Accounts receivables (net), billed and unbilled	424,156	(360,372)
Inventories	62,359	10,337
Other assets/prepaid expenses	-	343,716
Increase (decrease) in:		
Vouchers payables	5,327	533,195
Accrued payroll	99,273	160,322
Other liabilities	119,953	(54,576)
<b>Net cash provided by operating activities</b>	<b>\$ 8,754,346</b>	<b>\$ 9,918,508</b>
<b>Reconciliation of Cash and Short Term Investments to the Statement of Net Assets</b>		
Cash and short term investments	\$ 17,889,665	\$ 18,009,097
Restricted cash and short term investments held with fiscal agent	29,875,731	5,935,071
<b>Total cash and cash equivalents per statements of net assets</b>	<b>\$ 47,765,396</b>	<b>\$ 23,944,168</b>
<b>Supplemental Schedule of Noncash Investing, Capital and Financing Activities</b>		
Transfer of land	\$ 89,206	\$ -
Unrealized loss on investments	\$ (6,904)	\$ -
Loss on disposal of capital assets	\$ (48,695)	\$ (8,759)
Acquisition of capital assets through the change in contract retainage	\$ (937,353)	\$ 1,704,279
Acquisition of capital assets through the change in vouchers payable	\$ (1,984,467)	\$ 760,709

See Notes to Financial Statements.

## Parking Facilities Fund of the City of Norfolk, Virginia

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

The Parking Facilities Fund (the "Fund") was established at the direction of Norfolk City Council as an enterprise fund on July 1, 1990. The Fund accounts for the operation of City of Norfolk (City) owned parking facilities, including operations, maintenance, financing and related debt service, and billing and collection. The cost of providing services on a continuing basis is financed or recovered through parking charges to the City's residents and nonresidents. Although separate financial statements have been presented for the Fund, it is also included in the City of Norfolk's Comprehensive Annual Financial Report as a major Enterprise Fund.

A summary of the Fund's significant accounting policies follows:

Basis of accounting: The financial statements are presented on the accrual-basis of accounting, wherein revenues are recognized in the accounting period in which they are earned and expenses are recognized in the accounting period in which the related liabilities are incurred. The Fund adopted Statement No. 20 of the Governmental Accounting Standards Board ("GASB"), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. Accordingly, the Fund has elected not to apply Statements and Interpretations issued by the Financial Accounting Standards Board after November 30, 1989.

Deposits and investments: The Fund's cash and short-term investments include cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Investments of the Fund are stated at fair value. Short-term investments are recorded at cost, which approximates fair value. The fair value of the State Treasurer's Local Government Investment Pool (LGIP) is the same as the value of the pool shares. The LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The external investment pool is administered by the Treasury Board of Virginia. Other investments are stated at their fair value; these investments are reported in the accompanying financial statements as cash and short-term investments, unless the original investment period exceeded one year, in which case they are reported as investments. Investment income includes both realized and unrealized gain and loss components.

Receivables: Unbilled accounts, net are estimated at each fiscal year end based on parking usage by customers for whom billings have not yet been processed. Billed accounts are presented on a net basis and consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Gross receivables	\$9,456,055	\$8,611,187
Less: Allowance for doubtful accounts	<u>(8,509,295)</u>	<u>(7,243,306)</u>
Net receivables	\$ 946,760	\$1,367,881

Inventories: Inventories are stated at the lower of cost (using the first-in, first-out method) or market.

Restricted assets: Certain unspent proceeds of the revenue bonds as well as certain resources set aside for their repayment are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

## Parking Facilities Fund of the City of Norfolk, Virginia

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets are recorded at cost, less accumulated depreciation. Assets acquired prior to July 1985, for which historical cost records were not available, were appraised and valued at estimated historical cost by means of accepted price indexing methodology.

Depreciation: Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10 - 40
Furniture, fixtures and equipment	3 - 15

When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected as non operating revenue or expense.

Interest costs incurred on funds borrowed for construction projects are capitalized, net of interest earned on the temporary investment of the unexpended portion of those funds during the period of construction.

The Fund evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

Compensated absences: It is the Fund's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is fully vested when earned by Fund employees. Sick leave does not vest for Fund employees, however, upon retirement, Fund employees receive credit for each day of accumulated sick leave toward their pension benefit. There is no liability for unpaid accrued sick leave service since the Fund does not pay when the employee separates from service.

Net assets: Net assets in the financial statements are classified as invested in capital assets, net of related debt, restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statutes.

Operating and non-operating revenues: The Fund reports as operating revenues all charges for services generated through parking fees and certain other miscellaneous revenues. Other revenues, including interest revenue and grants, are reported as non-operating.

## Parking Facilities Fund of the City of Norfolk, Virginia

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Due to/from other funds: The General Fund of the City provides administrative services to the Fund, which totaled \$637,284 and \$708,257 for the years ended June 30, 2010 and 2009, respectively. Charges for these services are treated as expenses by the Fund.

Bond discount or premium: Discount or premium on bonds is amortized, using the effective interest method, over the life of the debt and is included in interest expense.

Deferred gain (loss) on advance refundings: Gain or (loss) on advance refunding is amortized, using the effective interest method, over the shorter of the life of the refunded bonds or the life of the new bonds.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Note 2. Cash and Investments

Deposits: All cash of the Fund is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments. Statutes authorize the Fund to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development ("World Bank") and Asian Development Bank, the African Development Bank, commercial paper rated A-1 by Standard and Poor's or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's LGIP, certain mutual funds, corporate notes, asset-backed securities, and savings accounts or time deposits.

The Fund has no formal policy regarding credit risk, interest rate risk, concentration of credit risk, custodial credit risk, or foreign investment risk.

The Fund had \$13,470,546 and \$753,456 invested in the State Treasurer's LGIP, included in cash and short term investments, at June 30, 2010 and 2009 respectively, which carries a Standard and Poor's rating of AAAm.

The Fund's investments for the years ended June 30, 2010 and 2009, other than LGIP, are categorized below to give an indication of the level of interest rate risk for each investment type by the entity at year-end. Included in the \$39,021,703 and \$12,550,423 investments in Note 2a are \$4,946,931 and \$4,920,352 of restricted assets at June 30, 2010 and 2009, respectively.

Certain cash and investments of the Fund are combined with other City monies for investment purposes. These amounts were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Reference should be made to the Comprehensive Annual Financial Report of the City of Norfolk for further cash and investment disclosures.

**Parking Facilities Fund of the City of Norfolk, Virginia**

**Notes to Financial Statements**

**Note 2. Cash and Investments (Continued)**

**Note 2a**

Fiscal Year 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Yr</u>	<u>1-5 Years</u>
SNAP Mutual Fund	16,562,323	16,562,323	=
PFM Money Market	11,479,270	11,479,270	=
Certificates of deposit	6,455,902	6,455,902	=
U. S. Government securities	1,806,000	1,806,000	=
Money Market Funds	2,718,208	2,718,208	=
<b>Total</b>	<b>\$ 39,021,703</b>	<b>\$ 39,021,703</b>	<b>\$ =</b>

Fiscal Year 2009:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Yr</u>	<u>1-5 Years</u>
Virginia AIM Mutual Fund	\$ 15,013	\$ 15,013	\$ =
SNAP Mutual Fund	3,254,318	3,254,318	=
PFM Money Market	795,207	795,207	=
Certificates of deposit	3,966,000	3,966,000	=
U. S. Government securities	1,839,132	1,839,132	=
Money Market Funds	2,680,753	2,680,753	=
<b>Total</b>	<b>\$ 12,550,423</b>	<b>\$ 12,550,423</b>	<b>\$ =</b>

The Fund's rated debt investments, other than LGIP, as of June 30, 2010 and 2009 were rated by Standard and Poor's and the credit ratings are presented below using the Standard and Poor's rating scale.

**Parking Facilities Fund of the City of Norfolk, Virginia**

**Notes to Financial Statements**

**Note 2. Cash and Investments (Continued)**

**Note2b**

Fiscal Year 2010:

<b>Investment Type</b>	<b>AAA</b>	<b>AAAm</b>	<b>AA+</b>	<b>AA-</b>	<b>Total</b>
SNAP Mutual Fund	-	16,562,323	-	-	16,562,323
PFM Money Market	-	11,479,270	-	-	11,479,270
U. S. Government securities	1,806,000	-	-	-	1,806,000
Money Market Funds	-	2,718,208	-	-	2,718,208
<b>Total</b>	<b>\$ 1,806,000</b>	<b>\$ 30,759,801</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$32,565,801</b>

Fiscal Year 2009:

<b>Investment Type</b>	<b>AAA</b>	<b>AAAm</b>	<b>AA+</b>	<b>AA-</b>	<b>Total</b>
Virginia AIM Mutual Fund	\$ -	\$ 15,013	\$ -	\$ -	\$ 15,013
SNAP Mutual Fund	-	3,254,318	-	-	3,254,318
PFM Money Market	-	795,207	-	-	795,207
U. S. Government securities	1,839,132	-	-	-	1,839,132
Money Market Funds	-	2,680,753	-	-	2,680,753
<b>Total</b>	<b>\$ 1,839,132</b>	<b>\$ 6,745,291</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,584,423</b>

At June 30, 2010 and 2009 the Fund's cash and investment consist of the following:

**Note2c**

	<b>2010</b>	<b>2009</b>
Investments in LGIP	\$ 13,470,546	\$ 753,456
Other Investments	39,021,703	12,550,423
Cash	220,078	15,560,641
<b>Total Cash and Investments</b>	<b>\$ 52,712,327</b>	<b>\$ 28,864,520</b>

  

	<b>2010</b>	<b>2009</b>
Cash and short-term investments	\$ 17,889,665	\$ 18,009,097
Restricted cash and short-term investments held with fiscal agent	29,875,731	5,935,071
Other restricted assets	4,946,931	4,920,352
<b>Total Cash and Investments</b>	<b>\$ 52,712,327</b>	<b>\$ 28,864,520</b>

## Parking Facilities Fund of the City of Norfolk, Virginia

### Notes to Financial Statements

#### Note 3. Capital Assets

Capital assets at June 30, 2010 and 2009 are comprised of the following:

	Balance June 30, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
<b>Nondepreciable assets:</b>					
Land	\$ 35,862,888	\$ 89,208	\$ -	\$ -	\$ 35,952,094
Construction-in-progress	42,993,500	1,088,704	(42,851,374)	-	1,230,830
Nondepreciable assets	78,856,388	1,177,910	(42,851,374)	-	37,182,924
<b>Depreciable assets:</b>					
Buildings and building improvements	135,500,362	52,437,080	(917,476)	-	187,019,966
Furniture, fixtures and equipment	854,321	3,350,675	(115,199)	-	4,098,797
Total depreciable assets	136,354,683	55,796,755	(1,032,675)	-	191,118,763
<b>Less accumulated depreciation:</b>					
Buildings and building improvements	(43,188,870)	(4,093,286)	878,015	-	(46,402,141)
Furniture, fixtures and equipment	(807,043)	(198,255)	105,985	-	(899,333)
Total accumulated depreciation	(43,993,813)	(4,291,541)	983,980	-	(47,101,474)
Depreciable assets, net	92,560,770	51,505,214	(48,895)	-	144,017,289
Total capital assets, net	\$ 171,417,158	\$ 52,883,124	\$ (42,900,068)	\$ -	\$ 181,200,213

  

	Balance June 30, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
<b>Nondepreciable assets:</b>					
Land	\$ 35,862,888	\$ -	\$ -	\$ -	\$ 35,862,888
Construction-in-progress	8,845,946	36,568,332	(221,779)	-	42,993,499
Nondepreciable assets	42,508,834	36,568,332	(221,779)	-	78,856,387
<b>Depreciable assets:</b>					
Buildings and building improvements	135,015,991	491,014	(8,843)	-	135,500,362
Furniture, fixtures and equipment	834,331	50,874	(30,884)	-	854,321
Total depreciable assets	135,850,322	541,888	(37,527)	-	136,354,683
<b>Less accumulated depreciation:</b>					
Buildings and building improvements	(39,411,831)	(3,775,239)	-	-	(43,188,870)
Furniture, fixtures and equipment	(573,836)	(55,233)	22,127	-	(807,042)
Total accumulated depreciation	(39,985,587)	(3,830,472)	22,127	-	(43,793,812)
Depreciable assets, net	95,864,755	(3,288,584)	(15,400)	-	92,560,771
Total capital assets, net	\$ 138,373,588	\$ 33,280,748	\$ (237,170)	\$ -	\$ 171,417,158

The Fund capitalized \$228,437 and \$0 of interest expense for the fiscal years ended June 30, 2010 and 2009, respectively. The total FY 10 interest cost was \$5,203,451 including the capitalized interest of \$228,437. The total FY 09 interest cost was \$4,434,666.

## Parking Facilities Fund of the City of Norfolk, Virginia

### Note 4. Short-Term Obligations

On January 21, 2010, the City issued a \$44,690,000 General Obligation Bond Anticipation Note (BAN), Series 2010C (Tax-Exempt) with an interest rate of 1.500% to yield 0.492%. The proceeds of the Series 2010C BAN were used to repay the outstanding principal amount of the \$44,710,000 General Obligation BAN, Series 2009C originally issued to finance the tax-exempt cash flow needs of the Parking Facilities Fund capital improvement program (CIP). City Council has authorized that the Series 2010C BAN may be extended or refinanced from time to time by or at the direction of the City Manager provided that no extension or refinancing matures later than five years from the date of the original issuance of such Note (May 21, 2009).

On January 21, 2010, the City issued a \$30,100,000 General Obligation BAN, Series 2010D (Taxable) with an interest rate of 0.980% to yield 0.980%. The proceeds of the Series 2010D BAN were used to finance the taxable cash flow needs of the Parking Facilities Fund CIP. City Council has authorized that the Series 2010D BAN may be extended or refinanced from time to time by or at the direction of the City Manager provided that no extension or refinancing matures later than five years from the date of the original issuance of such Note (January 21, 2010).

Moody's Investors Service, Inc. and Standard & Poor's Public Finance Ratings assigned short-term ratings of "MIG-1" and "SP1+", respectively, to both the Series 2010C and the Series 2010D BANs. The BANs are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest. Principal, and interest accrued, on the Series 2010C and the Series 2010D BANs shall be payable at maturity on April 1, 2011. The 2010C and the 2010D BANs may be retired, at the discretion of the City Council, from the proceeds of future Capital Improvement Bonds, any revenue bonds of the City or by means of current revenues, special assessments or other funds.

	Purpose	Maturity Date	Interest Rate	Outstanding Balance As Of 5/30/09	Additions	Reductions	Outstanding Balance As Of 5/30/10
General Obligation Bond Anticipation Note, Series 2009C (Tax-Exempt)	Finance Parking Tax Exempt Capital Projects	3/1/2010	1.250%	44,710,000.00	0.00	44,710,000.00	0.00
General Obligation Bond Anticipation Note, Series 2010C (Tax-Exempt)	Refund Series 2009C (Tax-Exempt)	4/1/2011	1.500%	0.00	44,690,000.00	0.00	44,690,000.00
General Obligation Bond Anticipation Note, Series 2010D (Taxable)	Finance Parking Taxable Capital Projects	4/1/2011	0.980%	0.00	30,100,000.00	0.00	30,100,000.00
				<u>44,710,000.00</u>	<u>74,790,000.00</u>	<u>44,710,000.00</u>	<u>74,790,000.00</u>

Outstanding amounts for the General Obligation Bond Anticipation Notes have also been included in the Long-Term Obligations Note.



## Parking Facilities Fund of the City of Norfolk, Virginia

### Note 5. Long-Term Obligations

General obligation bonds: A summary of general obligation bond transactions, including bond anticipation notes, for the fiscal year ended June 30, 2010 and 2009 follows:

#### Note 5a

	2010	2009
General obligation bonds outstanding at July 1	\$ 51,012,306	\$ 7,687,588
Bonds retired/refunded/refinanced	(45,897,133)	(2,483,702)
Bonds issued/allocated to Fund	84,316,010	45,808,420
Bonds outstanding at June 30	89,431,183	51,012,306
Plus Unamortized premium	653,071	297,337
General obligation bonds outstanding at June 30, adjusted for unamortized premium	90,084,254	51,309,643
Less current portion	(75,966,555)	(45,897,133)
	<u>\$ 14,117,699</u>	<u>\$ 5,412,510</u>

## Parking Facilities Fund of the City of Norfolk, Virginia

### Note 5. Long -Term Obligations (Continued)

Parking facilities general obligation bonds outstanding at June 30, 2010 and 2009 are comprised of the following individual issues:

#### Note 5b

FY 2010

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Parking Facilities General Obligation Bonds Outstanding
Series 2002 Refunding	2/13/2002	47,200,000	2.00 - 5.00%	\$185,280
Series 2002 B Refunding	11/1/2002	39,890,000	4.00 - 5.50%	584,402
Series 2004 Refunding	3/16/2004	96,395,000	4.00 - 5.00%	337,079
Series 2006 New Money	11/15/2006	99,225,000	4.00 - 5.00%	2,909,992
Series 2009 Refunding	5/21/2009	21,895,000	3.00 - 5.00%	1,098,420
Series 2010 A & B	1/21/2010	4,526,010	1.75 - 5.96%	4,526,010
Series 2010 BAN 2010 C	1/21/2010	44,690,000	1.50%	44,690,000
Series 2010 BAN 2010 D	1/21/2010	30,100,000	0.98%	30,100,000
Series 2010 E	2/25/2010	5,000,000	2.0 - 4.0%	5,000,000
Total Parking Facilities General Obligation Bonds				<u>\$89,431,183</u>

FY 2009

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Parking Facilities General Obligation Bonds Outstanding
Series 1998 Refunding	6/15/1998	\$49,190,000	5.00%	\$438,263
Series 2002 Refunding	2/13/2002	47,200,000	2.00 - 5.00%	279,828
Series 2002 B Refunding	11/1/2002	39,890,000	4.00 - 5.50%	746,173
Series 2004 Refunding	3/16/2004	96,395,000	4.00 - 5.00%	658,453
Series 2006 New Money	11/15/2006	99,225,000	4.00 - 5.00%	3,081,168
Series 2009 Refunding	5/21/2009	21,895,000	3.00 - 5.00%	1,098,420
Series 2009 BAN	5/21/2009	44,710,000	1.25%	44,710,000
Total Parking Facilities General Obligation Bonds				<u>\$51,012,306</u>

**Parking Facilities Fund of the City of Norfolk, Virginia**

**Note 5. Long -Term Obligations (Continued)**

A summary of the requirement to amortize general obligation bonds outstanding at June 30, 2010 is as follows:

**Note5c**

Year Ending, June 30,	Principal	Interest
2011	\$ 75,966,555	\$ 1,734,871
2012	1,464,104	512,374
2013	1,088,426	434,711
2014	974,025	429,907
2015	976,737	404,746
2016-2020	3,198,104	1,441,055
2021-2025	2,930,880	896,031
2026-2031	2,832,352	364,387
General Obligation bonds outstanding	<u>\$ 89,431,183</u>	<u>\$ 6,218,082</u>

General obligation bonds are payable first from the revenue of the specific funds in which they are recorded; however, the full faith and credit of the City are pledged to the payment of the principal and interest on all general obligation bonds. There are no sinking fund requirements.

Revenue bonds: A summary of revenue bond transactions for the fiscal year ended June 30, 2010 and 2009 follows:

**Note5d**

	2010	2009
Revenue bonds outstanding at July 1	\$ 90,404,000	\$ 92,634,000
Bonds retired	(2,560,000)	(2,230,000)
Bonds outstanding at June 30	87,844,000	90,404,000
Less unamortized discount	(3,578,959)	(3,861,973)
Revenue bonds outstanding at June 30		
adjusted for unamortized discount/premium	84,265,041	86,542,027
Less current portion	(2,635,000)	(2,560,000)
	<u>\$ 81,630,041</u>	<u>\$ 83,982,027</u>

**Parking Facilities Fund of the City of Norfolk, Virginia**

**Note 5. Long -Term Obligations (Continued)**

Parking revenue bonds outstanding at June 30, 2010 are comprised of the following individual issues:

**Note 5e**  
2010

				Parking Facilities Revenue Bonds
Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Outstanding
Series 1999 Parking System Revenue	2/15/1999	\$ 54,450,000	4.00 - 5.00%	\$13,780,000
Series 2000B Parking System Revenue and Refunding	10/1/2000	17,860,000	5.50%	15,155,000
Series 2003I Subordinate Parking System Revenue	7/11/2003	1,474,000	4.50%	476,500
Series 2003II Subordinate Parking System Revenue	7/11/2003	435,000	4.50%	102,500
Series 2004A Variable Rate Parking System Revenue	10/28/2004	6,695,000	Variable	6,185,000
Series 2004B Parking System Revenue	10/28/2004	30,905,000	2.50 - 5.00%	27,725,000
Series 2005 Parking System Revenue Refunding	6/15/2005	26,045,000	4.00 - 5.00%	24,420,000
Total Parking Facilities General Obligation Bonds				<u>\$87,844,000</u>

2009

				Parking Facilities Revenue Bonds
Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Outstanding
Series 1999 Parking System Revenue	2/15/1999	\$ 54,450,000	4.00 - 5.00%	\$14,220,000
Series 2000B Parking System Revenue and Refunding	10/1/2000	17,860,000	5.50%	15,155,000
Series 2003I Subordinate Parking System Revenue	7/11/2003	1,474,000	4.50%	619,000
Series 2003II Subordinate Parking System Revenue	7/11/2003	435,000	4.50%	150,000
Series 2004A Variable Rate Parking System Revenue	10/28/2004	6,695,000	Variable	6,300,000
Series 2004B Parking System Revenue	10/28/2004	30,905,000	2.50 - 5.00%	29,510,000
Series 2005 Parking System Revenue Refunding	6/15/2005	26,045,000	4.00 - 5.00%	24,450,000
Total Parking Facilities General Obligation Bonds				<u>\$90,404,000</u>

## Parking Facilities Fund of the City of Norfolk, Virginia

### Note 5. Long-Term Obligations (Continued)

A summary of the requirement to amortize revenue bonds outstanding at June 30 is as follows:

#### Note 5f

Year Ending June 30,	Principal	Interest
2011	\$ 2,635,000	\$ 4,034,398
2012	2,755,000	3,912,184
2013	2,840,000	3,784,199
2014	2,884,000	3,652,135
2015	2,970,000	3,517,648
2016-2020	17,010,000	15,595,019
2021-2025	21,775,000	11,347,296
2026-2030	25,435,000	5,754,983
2031-2035	9,540,000	687,311
Revenue bonds outstanding	<u>\$ 87,844,000</u>	<u>\$ 52,285,173</u>

Parking revenue bonds are payable solely from the revenues of the Fund. The most restrictive covenant of the Parking revenue bonds requires the Fund net revenue to not be less than the greater of (i) the sum of 1.25 times Senior Debt Service and 1.0 times Subordinated Debt service for the fiscal year and (ii) 1.0 times the funding requirements for transfers from the Revenue Fund to the Bond Fund, the Parity Debt Service Fund, the Repair and Replacement Reserve Fund, the Surety Bond Interest Fund and the Subordinate Debt Service Fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the Statement of Net Assets because their use is limited by applicable bond covenants. A supplementary schedule of past two years of Parking Facilities Fund, Revenue Bond Senior Debt Service Coverage is included at the end of this report.

The City issued \$6,695,000 in Variable Rate Parking System Revenue Bonds, Series 2004A (Taxable) on October 28, 2004, to finance the costs of acquiring, constructing and equipping capital improvements to the Parking System. As of June 30, 2010, \$6,185,000 remains outstanding and included in the City's long-term debt. The bonds mature February 1, 2035.

The Series 2004A Bonds are limited obligations of the City payable from the Net Revenues derived from the City's Parking System and other funds pledged for their payment under the terms of the Master Indenture of Trust dated as of February 1, 1997, as supplemented, between the City and U.S. Bank Trust National Association, as successor Trustee (the "Trustee").

The Indenture provides that the Series 2004A Bonds shall bear interest from time to time in any one of four Interest Mode: (i) a Daily Rate Mode, (ii) a Weekly Rate Mode, (iii) a Long-Term Mode, or (vii) a Fixed Mode. All Series 2004A Bonds must be in the same Interest Mode at any one time. Since initial delivery, the interest rate mode on the Series 2004A Bonds has been at the Weekly Rate. The interest rate on the Bonds is subject to Conversion to another interest rate mode, except from a Fixed Rate to another interest rate mode, in whole and not in part, at the

## **Parking Facilities Fund of the City of Norfolk, Virginia**

### **Note 5. Long -Term Obligations (Continued)**

option of the City, by mailing a notice thereof to the Trustee at least 30 days before the Conversion Date. Upon change in an Interest Mode, the Series 2004A Bonds are subject to mandatory tender for purchase to U.S. Bank Trust National Association, as tender agent. Notice must be sent by mail to the Owners of the Series 2004A Bonds no less than 15 days prior to the change in the Interest Mode. The Maximum Bond Rate (other than with respect to Bank Bonds) at any time is 15% per annum.

In conjunction with these bonds, the City maintains a Credit Facility. The Credit Facility is an irrevocable direct-pay letter of credit (LOC) obligation of Bank of America, N.A. (the "Credit Facility Issuer"). The annual LOC fee is 48 basis points for the current three-year LOC that expires on October 26, 2013. The LOC provides (i) the principal of the 2004A Bonds or the portion of the Purchase Price corresponding to the principal of the 2004A Bonds, to the extent remarketing proceeds are insufficient and (ii) 45 days' accrued interest (at a maximum rate of 15% per annum) on such 2004A Bonds or that portion of the Purchase Price corresponding to the interest accrued thereon.

The LOC provides for the purchase of the Bonds which have been tendered, but not remarketed. The unremarketed Bonds held by the Bank (the "Bank Bonds") shall bear interest at the Bank Rate in accordance with the Credit Facility. Interest on the Bank Bonds will be computed as the per annum rate (rounded upwards, if necessary, to the next higher 1/100 of 1%) equal to one month LIBOR plus 200 basis points (2.0%). The Bank Rate shall not be subject to the Maximum Bond Rate.

At the option of the City, any 2004A Bonds are subject to redemption prior to maturity as further described in the Fifth Supplemental Indenture of Trust between the City and the Trustee.

At June 30, 2010, all the Series 2004A Bonds have been successfully remarketed by the remarketing agent.

Bonds authorized and unissued as of June 30, 2010 were approximately \$76,643,933.

### **Note 6. Retirement & OPEB Obligations**

The Fund contributes to the Employee's Retirement System of the City of Norfolk (the "System"), a single-employer noncontributory defined benefit plan, which is accounted for as a separate Pension Trust Fund. Reference should be made to the Comprehensive Annual Financial Report of the System for further description of the plan. The retirement expense for June 30, 2010 and 2009 was \$499,452 and \$513,011, respectively.

The Fund adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Other Postemployment Benefits (OPEB) in FY2008.

The City of Norfolk provides post-retirement health care benefits, in accordance with state statutes which require extending access to healthcare benefits to certain retirees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. Employees who retire on accidental disability are also eligible. Retirees that elect to participate may purchase health care coverage using the same health care plans and premium structures available to active employees. Retiree participation, plan/benefit elections and contributions are administered by the City's Retirement Bureau based on the participation guidelines established by the Norfolk City Council.

## Parking Facilities Fund of the City of Norfolk, Virginia

### Note 6: Retirement & OPEB Obligations (Continued)

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial valuation was performed as of July 1, 2009 with results projected for the fiscal year ended June 30, 2010.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. Under this Statement, governments report on an accrual basis, benefit costs related to the period in which benefits are earned rather than to the period of benefit distribution. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC as computed for the City is allocated to the Fund based on payroll.

The Fund and the City use the pay as you go method to calculate the OPEB liability for June 30, 2010 as the City has not funded a trust for the OPEB liability. Using the most recent OPEB Plan Valuation Date of July 1, 2009, the following table shows the components of the Fund's annual OPEB costs projected for the current fiscal year, the amount contributed to the Plan and the changes in the net OPEB obligation:

	2010	2009
Net beginning OPEB obligation	\$ 164,147	\$ 124,134
Annual required contributions	198,288	138,608
Interest on net OPEB obligation	7,414	3,635
Adjustment to ARC	(5,863)	(2,775)
Annual OPEB cost	199,839	139,468
Less: contributions made	72,915	99,455
Increase in net OPEB obligation	126,924	40,013
Net ending OPEB obligation	<u>\$ 291,071</u>	<u>\$ 164,147</u>

The total unfunded actuarial accrued liability (UAAL) for 2010 and 2009 was is \$1,234,647 and \$910,384, respectively, and is allocated to the Fund on the same basis as the ARC. The allocation is based on covered payroll and does not purport to represent the OPEB liability of the Fund on a stand-alone basis. Reference should be made to the Comprehensive Annual Financial Report of the City of Norfolk for further information.

### Note 7. Commitments

Commitments for completion of capital projects authorized at June 30, 2010 were approximately \$2,040,747.

### Note 8. Litigation

From time to time the City is a defendant in a number of lawsuits. Although it is not possible to determine the final outcome of these matters, management and the City attorney are of the opinion that the ultimate liability will not be material and will not have a significant effect on the Fund's financial condition.

## **Parking Facilities Fund of the City of Norfolk, Virginia**

### **Note 9. Risk Management**

The Fund is exposed to various risks of loss related to: theft of, damage to, and destruction of assets; injuries to employees; general liability; automobile liability; crime and employee dishonesty; professional liability; and directors and officers' liability. The Fund's coverage is provided through the City of Norfolk's combination of purchased insurance policies and self-insurance plans.

### **Note 10. Accounting Pronouncements Issued But Not Yet Implemented**

The GASB has issued the following pronouncement prior to June 30, 2010 that has an effective date that may impact future financial presentations.

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund type Definitions*. GASB 54 more clearly defines the classifications of fund balance for more consistent application, and also clarifies the definition of existing governmental fund types. The new classifications of fund balance will comprise a hierarchy based on the extent to which the government is bound to observe constraints imposed upon the use of the financial resources of the funds. Fund balance will be reported in the following categories: non-spendable, restricted, committed, assigned and unassigned, depending on the relative strength of the constraints that control how the resources are spent. Disclosures are required about the processes through which constraints are imposed on amounts in the committed and assigned categories. Disclosures must also include the government's policies that determine the type of fund balance categories spent. There is also guidance in the statement regarding classification of stabilization amounts on the financial statements and related note disclosures. The changes to fund balance required by GASB 54 are effective for periods beginning after June 15, 2010, with reclassifications of fund balance applied retroactively for all periods presented.



## Parking Facilities Fund of the City of Norfolk, Virginia

### Supplemental Debt Capacity Information Revenue Bonds Debt Service Coverage Parking Facilities Fund Last Ten Fiscal Years

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service		Total	Coverage
				Principal (3)	Interest (3 & 4)		
2001	17,248,291	8,708,488	11,539,803	1,288,000	4,387,483	5,642,483	2.05
2002	18,427,725	7,309,853	11,117,842	1,010,000	4,370,126	5,380,126	2.07
2003	18,878,428	7,481,301	11,398,127	1,080,000	4,305,825	5,385,825	2.12
2004	21,614,698	8,503,800	13,110,898	1,168,000	4,232,717	5,387,717	2.43
2005	21,328,936	9,954,289	11,345,647	1,228,000	4,540,463	5,768,463	1.97
2006	21,823,360	9,493,391	12,328,969	1,780,000	4,147,035	5,907,035	2.09
2007	22,348,513	9,359,808	12,988,705	1,828,000	4,628,423	6,453,423	2.01
2008	21,338,861	10,554,971	10,783,890	1,838,000	4,456,588	6,391,588	1.89
2009	20,080,806	10,762,214	9,298,591	2,040,000	4,254,117	6,294,117	1.48
2010	19,039,583	10,741,343	8,298,220	2,370,000	4,084,135	6,454,135	1.29

#### Notes:

1. Includes operating revenue plus interest income not capitalized.
2. Includes operating expenses less depreciation and amortization.
3. Excludes subordinate debt service.
4. Reflects actual interest paid on the Variable Rate Parking System Revenue Bonds, Series 2000A and 2004A.



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**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

The Honorable Members of City Council  
Parking Fund of the City of Norfolk, Virginia;

We have audited the financial statements of the Parking Fund of the City of Norfolk, Virginia (the Fund) as of and for the year ended June 30, 2010 and 2009, and have issued our report thereon dated January 14, 2011. As discussed in note 1 to the financial statements, the accompanying financial statements present on the Parking Fund and do not purport to, and do not, present fairly the financial position of the City of Norfolk, Virginia, the changes in its financial position or its cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. Our report also discusses that the Fund has not presented a Management's Discussion and Analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be a part of, the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

January 14, 2011